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CONTENTS

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Conversion Processes in Soviet Union [L.B. Vid; pp 12-21]	1
---	---

DISCUSSIONS

Future of Europe	6
Outlines of Change [A.A. Kokoshin; pp 31-33]	6
U.S. Policy in Eastern Europe [Yu.P. Davydov, M.M. Kozhokin; pp 33-41]	8

INTERVIEWS

Brian Mulroney: "A Vote of Confidence for Gorbachev" [B. Mulroney; pp 57-58]	13
--	----

NOTES AND COMMENTS

New Stage in Soviet-Canadian Relations [B.P. Sitnikov; pp 59-64]	14
--	----

CHRONICLE OF SOVIET-AMERICAN RELATIONS

October-December 1989 [pp 124-127]	17
Articles Not Translated from SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA No 2, February 1990 [pp 1-2]	20
Publication Data	21

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No 2, February 1990

Conversion Processes in Soviet Union

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[Article by Leonard Borisovich Vid, candidate of economic sciences and deputy chairman of USSR State Planning Committee; passages in boldface as published]

[Text] In the decree "On the Basic Directions of USSR Domestic and Foreign Policy," the First Congress of People's Deputies of the USSR announced to the entire world that the Soviet Union's foreign policy line, which is based on the new thinking, is fundamental and immutable. In particular, this means that the measures to convert the national defense complex will be based on the legislative acts of the supreme organ of the Soviet Government and will be dictated by the new military doctrine based on the principle of reasonable sufficiency and corresponding to the Soviet State's increasing peace initiatives.

It is no secret that prolonged military confrontation caused the U.S. national debt to grow to colossal proportions and gave rise to other serious economic problems in the United States. Problems of this kind also exist in our country. The Soviet Union is suffering from increasingly acute shortages of consumer goods and the inadequate development of such major social sectors as public health, public transportation, and some others.

The conversion of military production is the subject of many Soviet and U.S. publications discussing various aspects of this extremely complex economic, social, scientific, technical, military and, of course, political problem. For this reason, it would be worthwhile to describe the first major moves in this direction, both those already taken in the Soviet Union and those specified in the State Plan for the Economic and Social Development of the USSR in 1990, and to discuss some of the predictions concerning future conversion processes that are being used today in the elaboration of the basic guidelines of Soviet economic development in 1991-1995.

The emphasis on practical measures, in our opinion, should serve primarily to strengthen trust between countries; it should underscore the fact that the statements by our leading politicians are not inconsistent with their actions, because trust in one another and the justifiable openness subsequently secured by law are extremely important today, in this initial stage of the lengthy disarmament process.

At the arms limitation talks the problems of conversion in the USSR and the United States are always closely linked with the monitoring of the development of defense production and defense spending. In his new book, R. McNamara mentions the impossibility of any

precise technical verification of the absolute defense expenditures of the United States and USSR today. Nevertheless, he believes that national means of verification and contacts between specialists in this field should help in defining the general patterns of conversion processes. These general trends, connected with the reorientation of the defense industry for the manufacture of civilian products in any country, can be assessed most fully and adequately by specialists on the macroeconomic level, using mathematical models of the development of national production, the intersectorial balance, statistics, and actual plan projections.

In the USSR conversion has become a catchword and a "headache" for the heads of ministries and enterprises and, above all, for planners and scientists. What could give the defense industry a tangible interest in conversion and in the institution of these processes? How can production be guarded against recession and the loss of jobs, and how can workers be guarded against pay cuts? What is the best way of quickly finding the most suitable sphere of operations for defense plants, laboratories, design bureaus, and research institutes, so that they can help in solving all of the socioeconomic problems that have accumulated over the years?

It is quite understandable that the demilitarization of a national economy, especially one as large as in the United States or the USSR, can only be based on a carefully planned long-term strategy, because this process will affect many facets of national production to some extent; it must be guided constantly by a strong political will and must be kept under government supervision. This is why the work on a sweeping state program for the conversion of the defense industry in 1991-1995 is now being completed in our country. The program was drawn up with the help of many scientists, specialists, and administrators from such organizations as USSR Gosplan, the USSR Academy of Sciences, the governmental Military-Industrial Commission, and concerned ministries. This program fits into the overall global concept of the restructuring of the Soviet economy and is supposed to aid in solving two major problems—the social reorientation of the national economy and the achievement of an economically sound balance between the fuel and raw material branches and processing branches of industry and agriculture through the stepped-up incorporation of scientific and technical achievements, including the active involvement of the intellectual and production potential of the national defense complex in these processes.

Conversion processes are expected to play a substantial role in implementing such basic guidelines of national economic development in the USSR as the following: —the production of durable consumer goods meeting world technical standards; —the complete electronization of production, creative activity, and the daily life of the population; —the guarantee of a steady rise in the scientific and technical standards and quality of civilian machine-building products by means of the broad technological interaction and production cooperation of

defense and civilian machine-building enterprises; —the augmentation of the output of equipment for branches processing agricultural products and for the stepped-up retooling of all light industry and of trade and public catering enterprises; —the growth of the production of high-technology medical equipment and communication systems; —the development of equipment and technological processes in the sphere of environmental protection; —the development of civilian aircraft and ship building.

These guidelines are nothing new for the Soviet defense industry because many of the enterprises in this industry have been manufacturing civilian goods for years, but now the goal is the kind of quantitative advancement and the kind of extensive variety of civilian goods that will make profound qualitative and organizational changes unavoidable in research and design organizations, directly at defense industry plants, and at the subcontracting enterprises serving them in other branches of the economy. This is why conversion, as an extremely complex process affecting many facets of national economic affairs, will require not only the sweeping initiative and ingenuity of our plants and our research and design organizations, but also constant centralized government regulation and large initial expenditures accompanied by certain losses, particularly in its first stages.

The centralized regulation of conversion in our country will be accomplished through interrelated sections of state plans. The planned economy is fairly well adapted for these processes, although Soviet planning in many other fields is undergoing intensive restructuring and is beginning to give market relations and business a free hand. As the conversion processes take place, the plants which were military enterprises in the recent past will also take part in these developing market relations.

As for the financial sources of investment and the other large expenditures which must accompany conversion, they will be created by reducing the construction of military facilities and by temporarily suspending the work on many prestigious capital-intensive construction projects which were dictated by political or regional ambitions and were never economically substantiated. Besides this, research organizations and economists in the defense branches are actively developing highly profitable types of civilian products and organizational models of interaction with the national economic complex to compensate for the losses resulting from cuts in military production. Furthermore, when the defense sector of the Soviet economy manufactures a variety of civilian products meeting the highest world standards, it will be able to engage in mutually beneficial cooperation with Western markets. It has experience in this field, and the programs for its further development have been drawn up and approved.

Finally, there is another important factor from the standpoint of compensation for the expense of conversion—the prices of the final products of the defense

complex. Our scientists have estimated that the prices of the main types of weapons and military equipment in the Soviet Union are only one-fourth or one-fifth as high as the prices of U.S. products of comparable quality and, for this reason, although the replacement of this production with civilian production will cause losses in cost terms, during the initial stage military plants will be capable of gradually compensating for these losses with government assistance. Furthermore, cuts in the military budget will add to state financial assistance. This approach testifies that conversion can have concrete and powerful sources of self-funding under certain conditions.

It would be best to end this discussion of the conceptual aspects of conversion with the observation that although the positive processes resulting from conversion will have a definite impact on our country, they certainly will not solve all of the problems that have accumulated in the national economy. Only the comprehensive perestroika of our society, the institution of profound political and economic reforms, and the development of democracy, commercial relations, and a regulated market will allow the potentially rich and powerful Soviet economy to reach new qualitative frontiers.

Conversion is a multifaceted process, and today it is being carried out in two main areas. These are the conversion of the armed forces and the conversion of defense production.

The conversion of the armed forces actually began in the Soviet Union immediately after the INF Treaty had been concluded. Allocations for deliveries of military equipment were already being cut back in 1988. The ukase of the USSR Supreme Soviet Presidium of 21 March 1989 "On the Reduction of USSR Armed Forces and Defense Spending in 1989-1990" marked the official beginning of this conversion process. In accordance with this ukase, military expenditures in 1991 are to be 14.2 percent below the planned figures for 1988, military production is to be cut by 19.5 percent, and the number of armed forces personnel is to be reduced by 500,000.

In 1989 the USSR Ministry of Defense sent the State Committee of the USSR for Material and Technical Supply lengthy lists of **military property earmarked for sale to civilian branches, cooperatives, and the population** for a total sum exceeding 500 million rubles. These lists included around 2,000 different material assets. Arrangements have been made for the use of the 10,000 tanks the USSR withdrew in Europe. They will be smelted, with the subsequent use of the metal in the production of civilian goods, or they will be re-equipped for direct use in the national economy. All other automotive military equipment will be used soon in different sectors of the economy.

The reduction of armed forces personnel is giving rise to its own unique and extremely difficult problems. Around 100,000 of the 500,000 are officers and 50,000 are warrant officers. Whereas the inducted personnel can

simply return to their previous places of employment or education, the retraining and job placement of career army personnel and their provision with new places of residence will require sweeping statewide measures. This could give rise to many problems because, although the majority of officers in the Soviet Army and Navy have some kind of engineering or technical training, it will take considerable effort to retrain the rest. The Defense Ministry is drawing up and carrying out a **plan for the vocational retraining of released servicemen** in conjunction with the State Committee of the USSR for Labor and Social Problems. The funds for this will come from state resources.

With its own funds and military builders, the Defense Ministry plans to build substantial quantities of housing in various parts of the country in the next 2 years, but most of the burden of settling the former servicemen and placing them in new jobs will be shouldered by local government agencies.

During this stage in the development of the Soviet economy, now that many branches are still following the patterns of extensive operations and there is colossal potential for the expansion of the production sphere and social services, the reduction of army personnel will make energetic and competent labor resources available for the national economy, and this will have a beneficial effect on the civilian sector.

The main problems of conversion, however, are connected with a second and more important area—the **diversification and re-specialization of defense production units** and the defense research and design sectors.

Plans for the past year called for the reduction of the output of military equipment by 4.5-5 percent in comparison to the actual level in 1988, whereas the production of weapons and military equipment prior to conversion increased at a rate of 5-5.5 percent a year. The increase in the output of civilian goods in the defense sector should reach around 9 percent, whereas it ranged from 5 to 6 percent in past years.

As far as specific projections for our national defense complex in 1990 are concerned, the following data apply to the production of civilian goods.

The output of military equipment is to be reduced by 5 or 6 percent in comparison to the 1989 level, and the output of civilian goods is to be increased by more than 13 percent, with substantial structural changes in the composition of this production, including changes in the growth rates of the production of certain types of equipment and complex household appliances.

It is particularly significant that the economic interests of military plants are an important part of this process; their own conditions dictate their relationship with the market—i.e., when their plans are being drawn up, they are guided by the same range of new economic interrelations taking shape in our country, in which military

and civilian clients have equal rights. To operate successfully under the new economic conditions, military plants, with help from the state, are stepping up the production of civilian goods. Facilities are quickly being made available for the satisfaction of civilian needs. In 1990 deliveries of tanks will be 52 percent below the projected figure in the 12th Five-Year Plan, and the respective figures for other military equipment will be 12 percent below for combat planes, 60 percent below for military helicopters, more than 20 percent below for ammunition, etc. Besides this, in the Soviet economy, just as in any other economy, contacts have been established with suppliers of various raw materials and components, and the plants will strive to maintain these ties in order to augment the output of civilian products corresponding to the type of equipment and technology they have.

Processes differ at different plants. Many of the largest plants are continuing to combine the production of civilian goods with military production while augmenting the former and reducing the latter, others are undergoing a process of active re-specialization without stopping production (there are around 400 of these enterprises), and some plants have closed down for massive renovations. Three defense plants, for example, are already prepared for complete conversion, and their experience will be taken into account in subsequent undertakings.

The following figures will provide a better idea of the anticipated overall results of conversion. In 1990 civilian products will represent more than 49 percent of the total cost volume of production at defense enterprises as compared to 40 percent in 1989, and the figure should exceed 60 percent by 1995.

We know that the industrial products intended for the production of the means of production are indexed as group "A" in the Soviet economy, whereas consumer goods for the population are part of group "B." In 1990 the output of products in group "B" at defense enterprises will be 21.5 percent greater than in 1989, but the increase for group "A" will be only 1.8 percent. The output of finished consumer goods in group "B" should be increased by 35 percent in just the next year. Furthermore, the output of some durable goods, such as washing machines, will increase by 37 percent, the output of tape recorders will almost quadruple, the output of large agricultural equipment will more than triple, etc. Other branches of the processing industry are also geared to the intensive production of consumer goods.

The basic guidelines of interaction by the defense complex with civilian branches provide more specific details. Plans call for the appreciable growth of **deliveries of the latest equipment for the modernization of light industry**; for example, the output of equipment for the leather footwear industry will increase by 24 percent, and the figure in the garment industry will be 19 percent. The output of equipment designed for the quickest possible reduction of losses of agricultural products and the

improvement of their quality will be increased by more than 36 percent at military plants.

The **production of computers and control systems for the civilian sector of the economy** should display a growth rate of 14 percent with considerable changes in the structure of computers, resulting in a 1.7-fold increase in the output of small personal and school computers.

Deliveries of medical equipment are to be 1.4 times as great as in 1989 just in the defense industry; the efforts of the most efficiently operating sectors of civilian machine building and defense materials technology have also been concentrated in this area.

Work has begun on a broad program for the **construction of civilian ships**, such as all-purpose vessels, vessels designed for horizontal freight handling, lumber ships, tankers, fishing boats, trawlers, and geophysical vessels. Their delivery to the national economy will promote the development of offshore oil and gas drilling, more intensive fishing and logging operations, and the expansion of exports.

Deliveries of new generations of aviation equipment for civil aviation will be increased substantially. This equipment will be comparable to the best world achievements in terms of technical and economic parameters and will be used on the long and average air routes where the demand for flights is far in excess of the supply.

How will the problems of financial status and social development be solved in the military-industrial complex?

It is a significant point that as a result of previously instituted organizational and financial measures, there will be only 17 enterprises operating at a loss in the defense industry in 1990. These will be deeply affected by conversion, whereas all other plants will operate at a profit under the conditions of full economic accountability.

One of the most complex and disturbing socioeconomic issues is the release of workers and engineering and technical personnel from military production. They will have to be actively involved in the increased production of civilian goods without any loss of seniority or with only a minimum of time spent on retraining. In 1990 more than 300,000 workers will be affected by this process. A decision has been made to stop the flow of new manpower into the defense industry temporarily, so that the highly skilled personnel can be retained and, if necessary, retrained.

There has also been some progress in the resolution of the more difficult problem of retraining the released scientific and technical personnel of defense branches for the development of civilian products. There is an extremely broad field of activity in the adaptation of the latest materials and technologies for the production of civilian goods, particularly in such sectors as aircraft and ship building, computer engineering, the production of

state-of-the-art equipment for ecologically clean technological processes, and the neutralization of pollutants and purification of sewage with the utilization of the broad range of valuable components it contains.

The increasing economic impact of the **transfer of progressive technologies and state-of-the-art materials from defense production to civilian branches** for widespread incorporation deserves special mention. As we know, military products require 20 or more times as much scientific input as civilian production does, but the results of research and development projects are not being transferred on an adequate scale. This is why so much importance is being attached in our country to the process known as the "spinoff" in the West. Permanent channels are being established for the transfer of technical innovations from the defense sector to civilian production. More than 600 state-of-the-art technologies and new materials developed for the Buran-Energiya space complex, for example, are being transferred to civilian branches. Now that defense institutes and design bureaus have emerged from the veil of secrecy, they are organizing exhibitions and demonstrations which are of the greatest interest to civilian specialists. New commercial contacts are established there, joint programs of cooperation are drawn up, and new bids are submitted. Experience has shown that the percentage of civilian R & D projects in the defense science complex is rising rapidly, and scientific organizations in the military fields are independently and actively augmenting the subject matter of their research and are finding good clients. This important and positive process is acquiring broader dimensions in our country, and it is clear that we should arrange for its regulation in the future, so that it can be aimed at the fulfillment of the most urgent social and production programs with maximum impact.

Another area of conversion is the search for civilian branches for the use of the military equipment, parts, and components already being manufactured. This is the most economical and painless process. These include such products as tow trucks, radio and electronic equipment, airplanes, and many other finished products. The hydraulic systems used in missile launcher bunkers, for example, can be used as highly productive pumping stations in agriculture, powered either by the electrical network or by a vehicle engine. The heating and cooling systems in missile complexes are suitable for use in solving one of the most urgent problems in our country—the preservation of agricultural products. The list of these examples is quite long, and the work in this area has been developed on a broad scale.

Conversion will also make sizable investment resources available. In the plan for 1990 the total state centralized capital investments for the development of the defense complex have been reduced to half the figure envisaged in the five-year plan for this year. For this reason, virtually all state investments will be directed at the development of conversion processes, and the funds

earned by the enterprises themselves will be used for retooling and social development at the discretion of work crews.

The construction of more than 300 new defense enterprises has been suspended. This will cause unavoidable losses, but the designs will gradually be revised, and as the necessary financial resources are accumulated, the projects will be completed and the enterprises will be adapted for the production of civilian goods in accordance with the State Conversion Plan for 1991-1995.

Besides this, the sweeping measures the government of the USSR has scheduled for 1990 for the financial recovery of the Soviet economy and the normalization of the domestic consumer market include the anticipated impact of the projected conversion of the armed forces and military production.

Many American researchers who have looked into these matters have taken an interest in the legislative reinforcement of conversion measures because there are influential opponents of this process. Professor S. Melman, for example, examines the legal aspects of military production in a number of his works and expresses the opinion that the legislative reinforcement of conversion is essential for the elimination of many of the obstacles impeding broad-scale disarmament.

What are the legislative guarantees that everything mentioned above will actually be accomplished in 1990 and in future years?

In the Soviet Union the state plan, which specifies the main parameters of projected conversion processes in the military industry, is discussed and approved by the USSR Supreme Soviet. After the state plan for 1990 had been ratified, it acquired the force of law and its principal objectives were brought to the attention of all executors in the form of state orders for deliveries of products, the completion of certain projects, or the performance of services. This plan differed in some fundamental respects from earlier plans because it contained state orders for the resolution of only the most important national economic problems, including problems in the sphere of conversion, leaving enterprises considerable leeway in the production of various goods and in interaction with one another in the emerging commercial market.

In view of this, we can confidently say that all of the decisions connected with conversion measures scheduled for this year in our country are backed up by legislation, and that the statistical and economic analyses conducted by USSR Gosplan and the State Committee of the USSR for Statistics will make it easier to monitor the implementation of all these decisions in line with quarterly results.

There are several other examples of the tangible results of conversion. The well-known plant in Votkinsk, mentioned by name in the INF Treaty, has begun producing

insulated storage tanks instead of the SS-20 intermediate-range missile. The five-axle tractors which were once used to transport the missiles will now be used to deliver cold beer, juice, milk, and cider to the tanks. Each tank holds 24,000 half-liter glasses of cold beer. This is enough to satisfy the needs of the many fans of this beverage in a city with a population of 20,000-30,000. The "machine-building"—or, more precisely, military—plant in Izhevsk, which has the same kind of large design staff as other defense enterprises, has developed and is producing a compact automated machine for the production of 500 kilograms of ice cream an hour.

After the defense industry began producing machines and equipment for the intensive processing of agricultural raw materials, it found that the technical specifications for the design and manufacture of this equipment did not meet present requirements: The scientific institutes in the civilian branches of industry were below par. For this reason, the defense enterprises established their own specialized project planning offices. As a result, fundamentally new technology and designs are already being used in the food industry and light industry. One is an assembly line for sausage production. It was developed by the design bureau of a tank plant.

The Molniya military plant in Moscow chose its own pattern of conversion. It first worked with two civilian machine-building plants on a cooperative basis and then formed an association with them. The Molniya designers are working for the whole association. They intend to design new items—industrial separators—and to develop experimental models and then turn the series production over to their new branches. This kind of cooperation could preclude the need for reductions in the salaries of defense personnel and could also keep the prices of products at a level acceptable to the consumer.

It would be wrong, however, to confine this list only to the positive aspects of conversion. The reduction of the manufacture of certain types of military equipment will have a direct effect on the entire intricate chain of production, from the manufacture of the finished product to the extraction of the raw materials and the production of semimanufactured goods, in which production has already been organized on an efficient basis and the workers are well paid. Many branches of the economy will require massive structural changes.

We must admit quite frankly that although it seems possible to reduce the non-productive expenditures on conversion considerably in a planned economy, there are several difficult problems in this area.

As we know, there are three basic types of technological equipment in defense plants. The first type is the equipment used in the production of military equipment or the components for it, which can be readjusted immediately for the production of civilian goods. The second type is equipment for the manufacture of unique military products, which can be adapted for the production of civilian goods at a low cost (various types of machine

tools, presses, etc.). The third type is highly specialized equipment, which will be extremely difficult or impossible to adapt for the production of civilian goods. This will require a great deal of work and additional resources and will cause losses.

There are some serious difficulties of an economic nature because all of the defense branches and the enterprises making them up are operating on the basis of full economic accountability, and the prices of their products are much higher than prices in civilian branches because of their high technical level and quality and their many electronic components. For this reason, the problem of reducing production costs in the military plants themselves is a new and unfamiliar issue to many people today, and not all of them are ready for this. Even the civilian consumers of the new high-technology items and more expensive products, however, have not all derived enough benefit from their use to cover the higher prices. This will be a long and difficult process, in which both sides should try to meet one another halfway.

Many people in our country are overestimating the importance of conversion in the resolution of domestic problems. This is also a problem because it gives rise to additional parasitical feelings, which have already been permitted to flourish to excess even without this.

It might be worthwhile to repeat the well-known fact that there are considerable differences between economic and market conditions in our country and in the United States. For this reason, when we exchange experience in conversion and inform one another of the measures taken to curtail and re-specialize military production as a logical extension of the progressive political processes in the relations between our countries, we must also learn to understand one another better and to take the distinctive features of each other's economic development into account.

In many countries today, including our own, conversion is frequently viewed as the broad-scale diversification of military production, but the real purpose is not diversification, but the gradual transformation of military plants into purely civilian enterprises. Otherwise, the possibility of rapid reversion will always exist. This is why it is already time to suggest that, in principle, it is not the defense industry that should be the catalyst of the development of productive forces and the generator of scientific and technical progress, but, rather, that the economy as a whole should guarantee the security of each country on the difficult road to total disarmament. All of us still have to make an effort to accept this ideology.

The data presented here on the rates and scales of conversion in the Soviet Union in 1990 testify that this complex process has begun in our economy. It will develop in line with a special state program, which should be a logical part of all of the balanced objectives of the coming 5-year period. Besides this, conversion processes in the United States and in the Soviet Union

certainly should be actively and continuously reinforced by political decisions and intergovernmental agreements as the process of disarmament and the consolidation of trust continues. Without this, conversion will certainly stall at some point and might have negative effects. This is an objective fact.

The USSR Academy of Sciences and USSR Gosplan have finished drawing up the basic conceptual guidelines of state economic policy in 1991-1995 with predictions of tendencies in national socioeconomic development up to 2005. The processes of the conversion of military production are clearly reflected in these scientific predictions and policy guidelines. With a view to the actual conditions in the national economy of the USSR today, they advise not the dismantling of the progressive scientific production potential established in the defense branches, but a search for ways of transforming them into a generator for civilian machine building and materials technology, to propel related and associated branches to a high technical level securing the manufacture of goods meeting world standards. It is only through the massive incorporation of scientific and technical achievements in production that the Soviet Union will be able to take an active part in the international trade in fuel and raw materials and also in the products of their intensive processing and the products of the manufacturing branches. Conversion has a positive role to play in this process. Peaceful development and mutual beneficial cooperation, rather than the wasteful and futile arms race, constitute the current pattern for the development of all mankind and of each country. This is the purpose of our perestroika, our plans, and our policies.

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DISCUSSIONS

Future of Europe

[Text] This discussion is part of the research project the Institute of U.S. and Canadian Studies began in August 1989 on "The Superpowers and the Current System of International Relations."

Outlines of Change

904K0006B Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 90 (signed to press 26 Jan 90) pp 31-33

[Article by Andrey Afanasyevich Kokoshin, corresponding member of USSR Academy of Sciences and deputy director of Institute of U.S. and Canadian Studies]

[Text] The future of Europe is once again the focal point of world politics. The cradle of modern civilization, which was split by the glaciers of the "cold war," now has a real chance of surmounting military confrontation and

has begun moving toward de-ideologized, democratic, and mutually enriching cooperation by all of the people inhabiting the continent.

One of the items on the political agenda is the need for the radical restructuring of the system of European security which took shape in the postwar period and was based on the confrontation of the two largest military-political alliances—the Warsaw Pact and NATO. No one no longer has any doubt that the relations between these organizations are now experiencing the greatest changes in all of their history.

What are the causes and characteristics of these changes?

First of all, there was a perceptible lessening of tension in relations between the USSR and the United States, the leaders of these alliances, which was embodied in the first treaty on the elimination of nuclear weapons.

Second, there was the considerable acceleration of socio-political changes in the East European countries belonging to the Warsaw Pact.

Third, there was the acceleration of West European integration in the European and political spheres; it is highly probable that this process will extend to the military sphere as well.

Fourth, there was the renewed discussion about the future of the two German states, their relations with one another, and their place in the common European home.

Centrifugal tendencies in the Warsaw Pact might be the most crucial issue of the near future.

All of the East European countries have entered the extremely important final period in their establishment as sovereign national states. This period in the history of other European countries in the past was accompanied in several cases not only by the elevation of the national consciousness, but also by destructive outbursts of nationalism. This can occasionally be seen in several East European countries as well. These outbursts are directed against the Soviet Union and against some of the neighbors of these countries. Economic problems are growing more acute in the CEMA countries, and cooperation with the West looks more and more appealing to them. Nevertheless, the level of interdependence the Warsaw Pact countries and their societies reached in the cultural, economic, and scientific spheres in the more than 40 years since the war is quite high. The decades of interaction by the military organisms of the members of our alliance must not be underestimated either.

The East European countries are distinguished by a high level of sociocultural community. Besides this, almost every one of these countries has its own special interest in interaction with the USSR—both political and economic.

Therefore, despite all of the acute problems apparent today, there are sufficient objective grounds for the preservation of the Warsaw Pact in the foreseeable

future. The chief direction in the evolution of the Warsaw Pact is its transformation from a military-political alliance into a politico-military alliance, with corresponding changes in its institutions and the mechanism of interaction by the states belonging to it.

What are the functions the Warsaw Pact could perform in the foreseeable future with a view to current changes? It appears that these might be the following:

a) the guarantee of the collective security of members in the military-political sphere, because the immediate danger of war might have been reduced substantially, but the threat of war has not been completely eliminated; NATO is in no hurry to dismantle its military potential and is still augmenting some of the parameters of its military preparations, although they do appear more modest in some cases and are being curtailed in others;

b) the use of the Warsaw Pact (and NATO) as instruments for the orderly and controlled transition of the two blocs to a lower level of military confrontation with the aim of establishing more stable structures of the armed forces of all European states and of the United States and Canada;

c) assistance in alleviating the severity of conflicts between members.

What are the USSR's interests in Eastern Europe? What kind of future would be desirable in this region? I believe that the genuine security interests of the USSR consist in the stable and dynamic development of the East European countries in the economic, social, and cultural spheres and the establishment of stable democratic institutions in these countries. This would be a guarantee against the assumption of power here by rightwing or leftwing extremist groups. The East European states must become genuine participants in international relations instead of exchanging one "patron" for another during the process of the transformation of international relations. Other countries developing relations with East European states, however, might not respect the legitimate security interests of the USSR in the region, its interest in preventing the use of the territory of these countries for acts of sabotage, not to mention outright aggression, against the Soviet Union.

The Soviet public can remember how Hitler's acts of aggression were committed against the USSR from the territory of several East European countries. In general, it views the reforms in these countries and the establishment of the genuine sovereignty of these states in accordance with international law with profound interest, understanding, and sympathy, but our public is also extremely sensitive to all expressions of hostility, especially when they are connected with the growing influence of NATO countries in Eastern Europe. The degree of the USSR's trust in the West will depend on the behavior of Western states in Eastern Europe.

The USSR's bilateral relations with individual Warsaw Pact members will play a more important role in the

future. The USSR will still be the leading force, but it will not be as dominant as before. The distinctive features of USSR relations with each of the East European countries will be more apparent.

The restructuring of relations within the Warsaw Pact will take place at a time when its members will have broader contact with different Western countries—both NATO members and neutral states. It is probable that the two dominant and adamantly opposed structures in Europe will be replaced by a much more complex system of quasi-alliances and a variety of temporary and more permanent coalitions. We are already witnessing the birth of these arrangements, in the political as well as the economic sphere. One example is the regional interaction in security matters by Italy (a member of NATO), Hungary (a member of the Warsaw Pact), Austria (a neutral state), and Yugoslavia (a non-aligned state). It is quite probable that the neutral and non-aligned states will play a more important role in this system. This tendency is already apparent in the heightened diplomatic activity of Finland and Sweden.

There is no question that the normal functioning of this system will require the highest level of diplomatic skill. The present agenda includes the creation of various new negotiating mechanisms, which will take the increasing role of public opinion and public movements into account along with the changing nature of international relations, and the formation of parties and associations of similar parties in different countries.

U.S. Policy in Eastern Europe

904K0006C Moscow SSHA: *EKONOMIKA, POLITIKA, IDEOLOGIYA* in Russian No 2, Feb 90 (signed to press 26 Jan 90) pp 33-41

[Article by Yuriy Pavlovich Davydov, doctor of historical sciences and director of European Research Center at Institute of U.S. and Canadian Studies, and Mikhail Mikhaylovich Kozhokin, candidate of historical sciences and junior scientific associate at Institute of U.S. and Canadian Studies; passages in boldface as published]

[Text] Eastern Europe is of special interest to the United States as one of the objects of the Eastern policy of the West, as a relatively autonomous element of the political situation in Europe, and as the main object of Soviet foreign policy activity. Many Western analysts regard the USSR's relationship with Eastern Europe as the most important indicator of the consistency of reforms and changes in the Soviet Union. According to leading American researchers, the situation in the European socialist countries is distinguished by the following features at this time:

—the bad and increasingly worse state of the economy in several countries, in spite of the differences in their levels of economic development. The visible symptoms include not only the foreign debt, inflation, and the lower standard of living, but also the underdevelopment of the advanced fields in which the gap between Western

Europe and even the most highly developed socialist countries in the region is growing wider;

—the changes connected with the policy of glasnost and perestroika in the Soviet Union. There is widespread support for the new Soviet policy line, and some countries have already gone beyond the Soviet perestroika. The disparity between public expectations and the progress of reform in most of the East European countries is constantly growing more pronounced. There are differences of opinion even within the machinery of state and the party. All of this is escalating sociopolitical tension, to the critical level in some cases;

—the presence of an internal organized and legalized opposition in the socialist countries with programs of reform representing alternatives to the policy line of ruling parties, and the noticeable popularity of these programs primarily among the most socially active segments of the population. The communist parties were too late with perestroika and are losing prestige and their leading role in the society. Opposition currents see the "Soviet model of socialism" as the main cause of the present difficulties of the socialist countries of Eastern Europe, and some have gone even further by asserting that socialism itself is the problem. The balance of power between various groups is quite changeable and will depend largely on the efficacy of the reforms;

—the considerable influence in the spiritual sphere of the noticeably heightened interest in recent years in the moral and political values and ideals of the Western world, rooted in the common historical and cultural traditions of the Eastern and Western European countries. Economic difficulties, a lack of trust in their own governments' ability to surmount these difficulties quickly and effectively, and broad contacts with the West, giving the people a chance to see and compare the standard of living and quality of life in the capitalist and socialist countries, have extended this interest to the strata with a consumer mentality—strata which have traditionally stayed outside politics. Besides this, there is the disappearance of the "enemy image" now that more and more citizens of the socialist countries have ceased to see the West as a threat to the political or national existence of their own states. The Western civilization is beginning to occupy a dominant place in public attitudes as an object of emulation and as a model;

—the diversity of sociopolitical conditions in socialist countries, their uneven development, and the rise of nationalist feelings, which are beginning to have a direct effect on intergovernmental relations in Eastern Europe. This is reflected most clearly in the approach to the German question and in the "customs war" between CEMA states. Territorial disputes are another source of friction;

—the perceptibly heightened foreign policy activity of the East European countries, reflecting their desire to surmount their economic difficulties with the aid of Western credit and technology and the overall improvement of the international situation. There is perceptible euphoria in several East European countries in connection with the possibility of economic aid from the West.

The diversity of the contacts of individual East European states with the West, however, is the most distinct factor. In addition to establishing official CEMA-EEC relations, the socialist countries are expanding their own direct contacts with the European Community. In particular, Hungary and Czechoslovakia have signed separate agreements with the EEC; the USSR, Hungary, Poland, and Yugoslavia were allowed to send representatives to meetings of the Council of Europe "by special invitation"; the GDR has a "special" stable relationship with the FRG.

Western researchers have predicted that these factors could have the most serious effect on the situation in the East European region as early as the 1990's. Eastern Europe is entering a transition period, which could last 10, 15, or 20 years and could have unpredictable consequences. The main difficulties of this period are the fact that the old structures no longer work, while the new ones do not work yet, or at least do not promise a quick return. This is arousing the severe dissatisfaction of the general public (reflected in demonstrations, strikes, outbursts of ethnic strife, etc.), is undermining the position of the advocates of reform in some cases, is encouraging conservative forces to take bolder action, and is leading to the dangerous polarization of society. The serious threat of sociopolitical crisis exists in one or even in several socialist countries. The different features and different time frames of the processes occurring in Eastern Europe could exacerbate conflicts between them, including inter-ethnic conflicts. This could undermine the stability of the entire European continent and have an adverse effect on all East-West intergovernmental relations.

The majority of American experts reached a rare consensus on this matter, but their subsequent conclusions and proposals differed widely. The range of opinions is quite broad: from proposals regarding the conclusion of some kind of "bargain" with the Soviet Union, envisaging its renunciation of the political domination of Eastern Europe in exchange for a U.S. promise not to take advantage of the new situation on the continent to the detriment of USSR security interests (the so-called "Kissinger Plan"), to the barely camouflaged ideas of "wringing dry" the Soviet Union and the socialist countries, using the immediate advantages of a favorable situation. Between these two extreme points of view there is much that is reasonable, based on a departure from the black-and-white view of the world, and from the concept of the "no-win situation," and on the understanding that the Eastern Europe which is now undergoing perestroika is not moving away from someone to someone else, but is advancing toward itself.

The Bush administration spent a long time analyzing the situation carefully and considering all of the opinions and proposals of experts. In general, this stage in the elaboration of the American administration's foreign policy strategy in relations with East European states is virtually unknown to researchers. It is impossible to trace how specific premises were accepted or rejected,

but the final results of the painstaking work of analysts and officials is known: Bush's policy statement in Hamtramck and his official visit to Poland and Hungary on 9-13 July 1989.

Economic Aid: Hope and Reality: On 17 April President G. Bush of the United States addressed a group of Polish-Americans in the city hall of Hamtramck (a suburb of Detroit, Michigan), presenting a lengthy speech in which he explained his administration's attitude toward Poland after the signing of the agreements between M. Rakowski's government and Solidarity and, in the broader context, the strategic basis of U.S. policy in the region: the "differentiated approach" to East European countries. "It seems to me that the differentiated approach is an extremely effective policy and is the best way of encouraging a broader program of democracy and freedom for all countries and people," Bush said in a WASHINGTON TIMES interview.¹ Bush's traditional thinking, his clear intention to uphold Reagan administration ideas, his caution, and his reluctance to give his campaign opponents an extra trump card were probably not the only reasons for his repetition of the earlier ideas. The pragmatic side of Bush was able, however, to add new meaning to the old formulas reiterated his traditionalist side.

As early as fall 1988, renowned American expert on East European affairs S. Larrabee was already writing in a FOREIGN POLICY article that "the United States should acknowledge and encourage the increasing diversity in Eastern Europe. It is probably time to review the policy of 'differentiation' and modify the strict division into 'bad' and 'good' boys that was so characteristic of American policy in the past."² Larrabee was not alone in these recommendations, and the advice was taken. George Bush made this change. Whereas the presence or absence of differences of opinion between the leaders of socialist countries and Moscow had once been the main criterion in the development of U.S. cooperation with these countries, now the progress of reforms in these countries was the principal factor. "Although we still have to draw distinctions between the countries of Eastern Europe, Poland can teach everyone two lessons," the U.S. President said. "First, that there can be no progress without considerable political and economic liberalization. Second, that the offer of Western aid should run parallel to the liberalization."³

Furthermore, there was consideration for the fact that the Soviet Union, which had been suspicious of any Western attempts to support reforms in Eastern Europe during the era of stagnation, had now begun its own perestroika of its economic and political system and its relations with European countries. As a result, the West's reasonable actions to support reform in the region could fit in with the new Soviet political thinking.

The program of economic aid to Poland Bush outlined in his speech in Hamtramck consisted of eight points, but it had undergone substantial changes by the time the President arrived in Warsaw. When Bush addressed a

joint session of the Sejm and the Senate, he reaffirmed his administration's intention to help Poland solve its foreign debt problems. According to the official communique, George Bush said that "the United States will undertake the following: the coordination of aid to Poland with the seven most highly industrialized Western countries; the allocation of 100 million dollars by the American Congress for the development of the Polish private sector; the extension of World Bank credits totaling 325 million dollars for the development of Polish agriculture and industry; the deferment of part of Poland's debts by the Club of Paris."⁴

Besides this, the American President promised to ask Congress to allocate 15 million dollars to aid Poland in solving the ecological problems of Krakow, where air and water pollution has reached the critical level and threatens to destroy invaluable historical monuments. During the visit, U.S. Secretary of State J. Baker and Polish Foreign Minister T. Olechowski also signed an agreement on the restructuring of the debts for 1985 and also for 1986-1988 and on the mutual establishment of cultural and informational centers.

The offers of American aid to Hungary, set forth in the American President's speech at Karl Marx University in Budapest, essentially differ little from the program for Poland. Bush promised to ask the American Congress to authorize the creation of a fund of 25 million dollars as a source of new capital for the private sector of the Hungarian economy, to grant Hungary access to the general system of preferences, envisaging selective tariff privileges, to conclude an agreement allowing the Overseas Private Investment Corporation to operate in Hungary, and to allocate 5 million dollars for the establishment of an international ecological center for Central and Eastern Europe, with its headquarters in Budapest. Plans call for the considerable expansion of scientific-technical and humanitarian cooperation: The American Peace Corps will begin operating in a European country for the first time when its volunteers go to work in Budapest and in all 19 Hungarian counties. The U.S. Government will allocate funds for an entire series of new and sweeping American-Hungarian exchange programs: "We will establish dozens of scholarships allowing Hungarians to attend American universities and we will finance American research programs in your universities and the publication of books, many thousands of books, to fill the shelves of your new international administrative center and of school and university libraries throughout Hungary," President Bush said in conclusion.

It should be borne in mind that U.S. economic aid will not be of a philanthropic nature and that its considerable expansion can only be expected after steady signs of improvement are seen in economic conditions in the European countries. The experience of past years, when the offer of preferential conditions in trade and the extension of credit served only to perpetuate the authoritarian system in the socialist countries by allowing it to surmount its economic difficulties temporarily with the

aid of Western resources and technology, had an impact on American politicians. The money invested in the economies of socialist countries must work. This is the Bush administration's point of view. It should not only provide investors with a profit, but should also become an instrument for the encouragement of further reform, the stimulation of the development of private and cooperative enterprises, and the creation of a free market for goods and services.

The U.S. administration does not expect to attain its goals—the establishment of democracy and economic effectiveness in Eastern Europe—without a stable basis consisting of private ownership and a free market. People in the United States simply cannot conceive of the normal functioning of the economy without mixed forms of ownership and market relations. The current socioeconomic crisis the majority of East European states are experiencing has only reinforced the American administration's opinion. The implications of the present transitional state of world politics, in G. Bush's opinion, are that "no one today regards socialism or communism as a possible solution to existing problems."⁵ This assumption serves as the logical basis for the President's conclusion that the policy of the "containment of communism" did prove effective, but that a new era has begun, an era distinguished by the end of the "cold war" and a move beyond the containment framework in relations with the Soviet Union and the socialist countries.

In essence, the Bush administration is asking the East European countries to accept the Western world's rules of play and to become equal partners in the world economic system. This proposal sounds logical and valid at first, but it does not take the present technological underdevelopment of the East European countries and the differing severity of the crises in these countries into account. It took the Western countries centuries, including years of acute economic crisis, to reach their present state of prosperity. It is unlikely that even the cooperative and private sectors in the East European countries, the sectors that have recently displayed the most stable and dynamic development, could compete in the world market today without special help. American economic aid will face the socialist countries with a real dilemma: Will the development of the private and cooperative sectors be one of the main channels of their integration into the world economic system and the resolution of their own problems, or will these enterprises be subordinate to some extent to Western capital and become—or at least threaten to become—a channel of U.S. influence on their governments?

Of course, the worst-case scenario could be avoided. This will necessitate, in our opinion, either the coordinated perestroika of the economies of East European states on the basis of market relations, and the dramatic acceleration of their integration on this qualitatively new basis, or independent efforts by national governments to restructure their economies and support the most efficiently operating branches and sectors of production and

their inclusion in world economic ties. A combination of the two would be possible, but this is a purely hypothetical prospect. The first option will require the radical reassessment of the basic premises of CEMA activity and its restructuring on the basis of the principles of partnership and a socialist market. This, however, would first necessitate the united political will of the East European leaders, based on a common understanding of the causes of the current crisis and the ways of emerging from it. We would have difficulty saying without any hesitation that this would be possible under the present conditions of the articulation of the national interests of East European states.

The second option would require their societies to mobilize all resources to the maximum for successful advancement toward this goal. Are the national governments capable of doing this by themselves, or will they have to apply for foreign loans?

The reaction of official groups and the public in Poland and Hungary to Bush's proposed program of economic aid is interesting in this context. In Poland the American proposals aroused unconcealed disillusionment. According to the press representative of the chairman of the Polish Council of State, W. Gurnicki, the difference between the total amount of financial aid the Americans offered and the amount the Polish side had requested was "astronomical." The opposition newspaper of that time, *GAZETA WYBORCZA*, commented in its report on the results of Bush's visit that "the program the U.S. President proposed probably disappointed many people. It speaks of millions at a time when the country needs billions." It is true that the report went on to say that "we (Poles—Author) have taken a big step toward democracy, but we have made virtually no moves toward a normal economy. Quite frankly, we are not even ready to accept large dollar loans. The world knows this and...is waiting to see what happens."⁶ A few weeks later T. Mazowiecki received a mandate to form a Polish Government, and Solidarity was given a chance to carry out its own economic program, based to some extent on the expectation of large dollar loans.

The reports of Hungarian officials and news media were distinguished by a completely different tone. These opinions were expressed in a televised interview by R. Nyers, then chairman of the MSZP: "The United States wants to help Hungary help itself. I feel that this is an acceptable solution for Hungary from the standpoint of our national pride and independence and in view of our attachment to the world economy."

The amount of American economic aid to Poland and Hungary has also aroused intense debates in the United States. According to experts, the time has come to coordinate the widely publicized declarations of support for reform, which were particularly loud after the confirmation of T. Mazowiecki's cabinet of ministers, with the actual financial capabilities of the United States at a time when its budget is groaning under the weight of an excessive deficit. The discussion of financial aid to

Poland and Hungary quickly revealed disagreements between the White House and Congress. On 28 November 1989 President Bush finally signed a bill on the allocation of 938 million dollars over the next 3 years to promote economic and political reform in Poland and Hungary. The amount allocated in fiscal year 1990, which began on 1 October 1989, will be 533 million. The bill represents a compromise between President Bush's suggestion to offer the two countries 455.5 million dollars and the Democratic senators' plan to allocate 1.2 billion dollars for aid to Poland and Hungary. But these sums are not the final figures. It is probable that much of the money will enter Eastern Europe through the channels of private enterprise, and the investment of 100 million dollars in the development of the Gdansk shipyard by Polish-American B. Piasecki-Johnson is only the first (and most newsworthy) example of this.⁷

The American administration's plans to encourage the development of the private and cooperative sectors and the creation of a free market for goods and services in Eastern Europe essentially coincide with the basic guidelines of the reforms being carried out in many socialist countries for purely internal reasons. This phenomenon is a remarkable fact of contemporary international relations in itself, but the real significance of these processes will only be revealed in the broader historical context: They will lay the basis for the stronger economic and cultural interdependence of states with different social orders. Not too long ago, the foreign economic operations of socialist countries were conducted primarily on the governmental level. Now non-governmental entities, especially private and cooperative enterprises, are participating in them on a broader scale. It is precisely in terms of these parameters that the U.S. foreign policy line in the East European region is identical or quite similar to the Soviet concept of an integral and interdependent world. After all, its basis is supposed to be interaction by citizens and non-political entities as well as by governments in a single world civilization.

Diplomacy of Evolution and Predictability: The political boundaries of the U.S. President's view of the development of American-East European relations are much more vague and indistinct. In Hamtramck he mentioned only the main parameters and the conceptual essence of the administration's approach: "This (the problems of Eastern Europe—Author) is not a matter of bilateral problems between the United States and the Soviet Union. They are more likely to concern all of the Western allies and demand a common approach. The Soviet Union, in turn, must realize that a free and democratic Eastern Europe, as we see it, will not be a threat to anyone. This evolution will presuppose and consolidate further improvement in aspects of East-West relations: in arms control, in politics, and in trade—in such a way as to strengthen the security and prosperity of all Europe."⁸ As later events showed, Bush's words expressed the ideas and approaches American diplomacy is now trying to implement in the East European countries.

The United States has announced its interest in the "peaceful evolution of democracy" in Eastern Europe. This implies that the American administration will continue encouraging reform, but—and this is extremely important—not to the detriment of political stability in the region. Just before President Bush left on his trip to Poland and Hungary, he stressed that he had no intention of "accelerating the changes." "I do not want to do anything that might inadvertently contribute to some kind of crisis. I will not intentionally do anything that might cause a crisis," the President repeated twice when he was interviewed by Polish journalists.

The United States has no need to artificially stimulate and accelerate changes in Eastern Europe. Time is on its side, because it has the advanced technology and finances that many of the states in the region need so much.

At the same time, the Bush administration is still worried that Moscow might exert pressure on the processes in Eastern Europe. First of all, this would mean a change in the very essence of Soviet perestroika. Second, this would force Washington to react to this pressure. Both would distort the relationship between the two superpowers. In addition to the traditional fear of "intervention by Moscow," however, fundamentally new nuances have appeared in American policy. More and more American politicians are expressing the opinion that Eastern Europe is moving toward "Balkanization" and that it will, as R. Nixon put it, "turn into an economic and political powder keg ready to blow up at any time."⁹ This turn of events would have an extremely negative effect on all world politics, and people in Washington know that it cannot be prevented without the help of the Soviet Union. This has become another of the U.S. administration's arguments in favor of the discussion of American-East European contacts primarily from the standpoint of the Soviet Union's interests in the region.

The effective acknowledgement of the legitimacy of the USSR's national security interests has been accompanied by more intense American diplomatic efforts to make the policies of the great powers in Eastern Europe predictable. People in Washington would like to be certain that the Soviet Union will refrain from interfering in processes in the socialist countries under any circumstances. The United States, in turn, has displayed a willingness not to use the changes in the East European countries to gain unilateral advantages.

When George Bush was interviewed by the Polish journalists, he made another statement relating U.S. policy in Eastern Europe directly to U.S. relations with the Soviet Union. He categorically said—and this was probably the first time this fact was acknowledged by an American chief executive—that he regarded his trip to Poland and Hungary as a reciprocal move in relation to M.S. Gorbachev's trip to the FRG and France.

Suspensions about the expansion of cooperation and the prospect of the inclusion of socialist countries in the

unified European economic mechanism are also characteristic of the White House. The vague apprehensions in Washington are aroused less by the prospect of the adaptation of the two sociopolitical systems on the continent than by the fact that an active and autonomous West European policy will tend to leave the United States out of this process to some extent. The reality of the creation of a unified Western Europe by 1992 and the possibility of the subsequent establishment of a "united continental Europe" are uncertain and ambiguous enough to alarm Washington. For American diplomacy this will mean the appearance of new problems: It will immediately raise questions about the expediency of NATO's existence; the new Europe, for a number of reasons, will interact more with the Soviet Union than Western Europe does today (even if less than Eastern Europe does today); a new power center of world significance will come into being. All of this will unavoidably impair Washington's position on the European continent perceptibly and complicate American diplomacy's maneuvers in world politics, but certainly only on the condition that Washington continues striving for a dominant position in the world. When Bush went to Poland and Hungary, he not only wanted to assure the American public of the United States' involvement in the processes occurring in these countries, but also wanted to show the West Europeans that American diplomacy still had the initiative and had every chance of playing a leading role in the region.

The idea of achieving the predictability of the behavior of the great powers in Eastern Europe, in the opinion of Americans, also includes the need to elaborate a common approach to the USSR and the East European countries for the developed industrial nations of the West—at least in the most fundamental areas. To a considerable extent, Bush was able to do this at the anniversary NATO meeting in Brussels. By doing this, Washington certainly hopes to strengthen its own position in contacts with the socialist countries. In addition, the United States is trying to coordinate the diplomatic activities of West Europeans in Eastern Europe and to keep them within specific boundaries.

Nevertheless, the United States still associates the complete resolution of the economic and political problems of East European states with the elimination of the division of Europe. This strategy is similar in many respects to the Soviet concept of the "common European home," but it is unlikely that the methods of attaining these goals will always coincide. From Bush's speeches, we already know that the United States is putting the main emphasis on the democratic content of the common European home. This might be normal when the essential concept takes the place of architectural design, but this also means the gradual expansion of the idea of a "unified Europe" into a theory of a "democratic Europe." Nevertheless, the fact that the foreign policy line of the West European states and the United States in Eastern Europe is identical or quite similar in

several important respects to the Soviet concept warrants special consideration. All sides have a common interest in changes which do not undermine the political stability of the continent. This is all the more significant in view of the fact that the process of reform in Eastern Europe is still in its initial stage and has several more stages to go, and that these might be critical stages. For this reason, it is particularly important that no country make any attempt to use reform to derive immediate advantages.

Footnotes

1. THE WASHINGTON TIMES, 16 May 1989.
2. S. Larrabee, "Eastern Europe. A Generation of Change," FOREIGN POLICY, Fall 1988, No 7, p 61.
3. WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, 24 April 1989, p 565.
4. TRIBUNA LUDU, 2 July 1989.
5. WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, 13 March 1989, p 288.
6. GAZETA WYBORCZA, 11 July 1989.
7. IZVESTIYA, 20 October 1989.
8. WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, 24 April 1989, p 565.
9. R. Nixon, "American Foreign Policy: The Bush Agenda," FOREIGN AFFAIRS, 1989, vol 68, No 1, p 210.

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INTERVIEWS

Brian Mulroney: "A Vote of Confidence for Gorbachev"

904K0006D Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 90 (signed to press 26 Jan 90) pp 57-58

[Interview with Brian Mulroney, prime minister of Canada, by S. Dukhanov, special APN correspondent; first three paragraphs are SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA introduction]

[Text] Brian Mulroney, the prime minister of Canada, was in the USSR from 22 to 25 November 1989. The results of the first visit to the Soviet Union by a Canadian head of state in 18 years were quite impressive: More agreements were concluded during this visit than during all of the preceding 20 years of Soviet-Canadian relations, and a representative Canadian-Soviet business council was established to promote trade and economic cooperation.

The pinnacle of Brian Mulroney's visit was the Soviet-Canadian political declaration stating the results of his conversation with M.S. Gorbachev. It was described by E.A. Shevardnadze as "an intellectual and political breakthrough into a new and interdependent world, leaving the ruins of the cold war behind and looking confidently into the future."

Prime Minister Brian Mulroney of Canada granted an interview to APN special correspondent S. Dukhanov.

[Dukhanov] Mr. Prime Minister, what would you call the main political result of your visit to the Soviet Union?

[Mulroney] President Gorbachev and Minister Shevardnadze called this visit a major turning point in our relations. It has been extremely productive. This is my opinion also. The decisions made on important specific matters during the visit improved our relations and mutual understanding. According to President Gorbachev, the visit did much to promote the development of an extremely good personal relationship between the leaders of our two countries. All of this is quite positive.

[Dukhanov] Did your stay in our country influence your personal perceptions of the Soviet Union?

[Mulroney] Of course, my view of the Soviet Union was influenced considerably by the people I met, and not only in Moscow, but also in Kiev and Leningrad. I met all of the people I wanted to meet. The meetings helped me understand the political implications of what is happening in important spheres of your country's internal politics. There are several serious questions the party and government must answer. It seems to me that these questions are causing political problems for Mr. Gorbachev and that he will be more and more persistent in his efforts to win the support of broad segments of the population. These meetings were extremely useful to me and to my colleagues, Foreign Secretary Clark and his assistants.

[Dukhanov] Mr. Prime Minister, European affairs were one of the topics of your conversations with the Soviet leadership. Tell us, please, will Canada and the Soviet Union be building the common European home together?

[Mulroney] I think that the future of the Soviet Union is certain to be quite closely related to the development of events in Western Europe, in the Common Market countries, and to the changing views, the revolution in thinking, in Eastern Europe. To a considerable extent, the hope of reform in Eastern Europe was engendered directly by the policies of President Gorbachev. The efforts of Europeans to build this common European "space" will result in the growth of trade, the development and attraction of technology and capital investment, and the relative enhancement of individual welfare. This is why Europe should not be divided along the purely economic lines of wealth and poverty, just as it should not be divided along strictly military lines.

It seems to me that this is exactly what President Gorbachev has been saying, and I think that this is his view of Europe in the distant future. In this context, Canada shares this hope for prosperity and for the greater freedom and unity of all Europeans.

[Dukhanov] A large group of Canadian businessmen came to the Soviet Union with you. Do you think their trip was productive? If so, on what do you base this opinion?

[Mulroney] Mr. Ryzhkov and I had a meeting with a delegation consisting of more than 240 Canadian businessmen in Moscow. I think this was our largest delegation ever. During their stay, they reached agreements on joint ventures amounting to more than a billion dollars. They anticipate many more agreements. This is a remarkable vote of confidence for Mr. Gorbachev and for what he is doing.

These agreements take in so many things—from restaurants to paper mills. This will mean new capital investments, new technology, new jobs for Soviet citizens, and new opportunities for Soviet youth. This is precisely how a strong economy is built.

Canada and the other industrial countries must respond to the invitation. After all, President Gorbachev did not tell the West that the Soviet Union needs help. He simply said that the Soviet Union is open to new ideas, new technologies, new capital investments, and joint ventures. He told the West: "Come and join us in the development of our great country!" I feel it is extremely important for countries like Canada to respond.

[Dukhanov] Mr. Prime Minister, what would you tell the Soviet people now, at the end of your visit?

[Mulroney] We—my delegation, the large group of businessmen and huge group from the Canadian press who accompanied me to the Soviet Union, and I—are deeply impressed by the constructive attitude we encountered in all strata of your society.

We must admit that much still remains to be done. The renewal of the Soviet society and economy will not be easy. The triumph of democracy will take real work to bring about favorable changes. Peace is the greatest legacy we can leave our children.

I discovered complete agreement with these ideas and sensed support for President Gorbachev and for everything he is trying to do. For this reason, I am extremely impressed and I believe that if we try to look as far into the future as possible, we will see that wonderful things lie ahead for the citizens of the Soviet Union and its friends and neighbors.

[Dukhanov] Thank you, Mr. Prime Minister.

[Mulroney] I appreciate this opportunity to convey to all the Soviet people we met on the streets of Moscow, Kiev, and Leningrad the same warm, sincere, and friendly

feelings we sensed on their part. We cannot wait to return this hospitality in Canada. Thank you very much and good luck to all of you.

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NOTES AND COMMENTS

New Stage in Soviet-Canadian Relations

904K0006E Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 90 (signed to press 26 Jan 90) pp 59-64

[Article by B.P. Sitnikov; words in boldface as published]

[Text] "A major event in world politics"; "A milestone in Soviet-Canadian relations"—this is how the world press described Canadian Prime Minister B. Mulroney's trip to the USSR, and it had every reason to do this.

It had been 18 years since the last Soviet-Canadian summit meeting. This was an inexcusably lengthy period of "missed opportunities" for the two biggest countries in the world, countries which not only have similar natural and geographic conditions but also have common problems. As many intergovernmental agreements were signed during Canadian Prime Minister Mulroney's visit of 20-25 November last year as in the previous 20 years. They cover a broad range of important topics: from cooperation in the Arctic to contacts between armed forces. A legal basis was established for a qualitatively new beginning in USSR-Canadian relations.

Interaction—New Stage of Relations

The term "interaction" became a permanent part of the political terminology of Soviet-Canadian relations as a result of the Moscow summit meeting. Interaction entails the disclosure of the bilateral potential for cooperation and a move from words to action. As N.I. Ryzhkov said at a luncheon honoring B. Mulroney, "judging by all indications, there is an awareness in both countries that the time for words is over and the time for action has arrived."

Interaction in the politico-military sphere is to be organized in three areas.

First area. The USSR and Canada pledged to coordinate their efforts in the sphere of arms limitation and the prevention of military rivalry. The Soviet side commended Canada's contribution to the development of the mechanism for the verification of military activity and the limitation and reduction of arms, including Canada's suggestion to hold an international conference on the "open skies" principle in 1990 in Ottawa. At this conference, representatives of 23 Eastern and Western countries will discuss the details of the agreement by which each will be able to conduct reconnaissance flights

over the territory of the other countries with only short-term notification. The USSR proposed new ideas in this sphere, including the extension of the principle of openness to dry land, space, and the seas and oceans. During the visit the two sides agreed to pay special attention to a Soviet-Canadian experiment in the verification of the non-emplacment of weapons in space and the augmentation of military "visibility."

Because of their common geographic conditions, the USSR and Canada are particularly concerned about the Arctic aspect of disarmament. The Canadian side's attention was directed to the new proposals M.S. Gorbachev set forth during his visit to Finland as a continuation of the well-known Murmansk initiatives, proposals on lowering the level of military confrontation, strengthening trust, and intensifying cooperation in the Arctic and in Northern Europe.

The resumption of contacts on the military level between the USSR and Canada is viewed as a step toward the establishment of a new model of NATO-Warsaw Pact relations based on political dialogue.

Second area. As participants in the Helsinki process, the USSR and Canada pledged to aid in the construction of the common European home. Their policies in Europe in the near future will focus on two all-European undertakings—the Helsinki-2 summit-level conference and the meeting of the leaders of the European states, the United States, and Canada in 1990 to conclude an agreement on the substantial lowering of the level of confrontation.

Third area. In view of the fact that Canada recently became one of the non-permanent members of the UN Security Council, the USSR and Canada made plans for their future interaction within the UN framework in the resolution of regional problems. During the Moscow meeting the two sides stressed that the departure from stereotypes and from the ideologization of regional problems had improved the situation in this sphere. The sides agreed to interact more closely through UN channels for regional settlement and national conciliation. They agreed to hold special consultations on Central American and southern African affairs. The Soviet side underscored its sincere interest in the successful development of the peace process in Central America and reminded the Canadian side that it had suspended all shipments of weapons to the Sandinista government until the Nicaraguan elections scheduled for 25 February 1990 and that it was in constant contact with Managua. It also stressed that the United States should also observe the agreements concluded by the Central American states and should begin a direct dialogue with Managua and with Havana without setting any preliminary conditions. In response to the Canadian side's questions about Soviet military shipments to Cuba, USSR Minister of Foreign Affairs E.A. Shevardnadze stressed that they are being made in line with earlier commitments and that they do not pose any kind of "aggressive" threat to neighboring countries.

Arctic Zone—Sphere of Special Interest

The definition of the Arctic zone as a priority area of Soviet-Canadian relations was one of the important results of B. Mulroney's trip to Moscow. This is quite understandable: Canada and the USSR are northern neighbors, and the Arctic is our common northern roof. As B. Mulroney said, "the Arctic is your back yard and ours. We have a fundamental interest in this zone, and so do you."

The agreement signed during Mulroney's visit on cooperation in the Arctic and the North was essentially Canada's first official response to the Murmansk initiatives the Soviet Union set forth back in October 1987. The two sides stressed that modern civilization already has the potential to develop the Arctic zone for the good of the entire world community. The cooperation by the USSR and Canada in the study of the northern lights serves as proof of this. As part of the Interbol space project,¹ the Space Research Institute of the USSR Academy of Sciences and the Canadian National Research Council will begin joint studies of the magnetosphere over the Arctic in 1990. A more thorough understanding of the nature of the northern lights, which have a negative effect on the human organism and disrupt radio communications, will aid in their prediction in the future. The cooperation by the two countries, which began with the exchange of samples of materials collected in space and of scientific data, is supposed to lead to joint research and development projects connected with the construction of instruments and equipment. The intergovernmental agreement on cooperation in the study and use of outer space for peaceful purposes, signed during Mulroney's visit, will serve as the legal basis for this.

The Murmansk initiatives served as an excellent basis for the dialogue between the two countries. At the talks in Moscow the Soviet Union informed the Canadian side of new steps in their development: The USSR is already prepared to announce that Soviet submarines will not enter the waters of the Canadian archipelago. Besides this, the Soviet Union is willing to negotiate an agreement with the United States and other states with strategic aircraft on the limitation of the geographic boundaries of training flights of nuclear weapon carriers.

Outlines of Politico-Ecological Model

Mulroney's visit to Moscow revealed that a new and separate sphere—ecology—had become one of the main areas of Soviet-Canadian interaction. During the visit the two sides signed such important documents as an agreement on environmental cooperation, a memorandum of mutual understanding on cooperation in the prevention of pollution in the Arctic waters, a memorandum of mutual understanding on scientific cooperation in the study of marine ecosystems, a memorandum of mutual understanding on joint programs in meteorology and in atmosphere and climate studies. This kind of interaction in environmental

protection and policy indicates the establishment of a new, politico-ecological model of bilateral relations. It will be based on the idea of ecological security as an important part of overall security.

The Soviet Union was noticeably late in participating in international ecological cooperation. It did not, for example, take part in the work of the Stockholm UN conference on the environment in 1972, where the foundation was laid for the idea of ecological security. Nevertheless, the USSR and Canada, the two biggest countries in the world, have a special responsibility for the state of the environment on the planet. The need for the legal protection of nature was not acknowledged in our country until just recently, whereas Canada was already passing clean air and water laws in the early 1970's. There is no question that we can learn something from Canada in this area.

Joint Ventures—Main Link of Economic Interaction

The important results of the visit certainly include the recognition of joint ventures as the main link of the two countries' economic interaction and the establishment of something like most-favored-nation status for anyone seeking mutually beneficial cooperation.

Soviet-Canadian economic relations have been officially maintained since 1956, although, according to some estimates, Canadian exports to the USSR are 15 times as great as Soviet exports to Canada. Commercial transactions have been sporadic, with the exception of purchases of Canadian grain; the agencies of Canadian firms in Moscow can be counted on one's fingers; and the number of Soviet-Canadian joint ventures has been negligible.

The Canadian press called Mulroney's trip to Moscow "a new beginning of business cooperation." It was the most commanding and representative gathering of participants in Soviet-Canadian trade and economic cooperation in the history of Soviet-Canadian relations. More than 200 Canadian businessmen, representing 129 Canadian firms, arrived in Moscow. They brought a package of proposals with them regarding investment in joint ventures in the USSR totaling over a billion dollars. The Canadian Olympia & York Company, for example, wants to build an 80-story skyscraper in the center of Moscow, and a consortium of Canadian firms will build a whole city, an international trade center, near Lenin-grad. An agreement was signed on the encouragement and mutual protection of capital investments so that these intentions could be realized. It is expected to provide strong momentum for joint ventures as the mainstream of commercial cooperation between the two countries.

It is interesting that whereas 24 Soviet-Canadian joint ventures had been registered prior to the beginning of the November summit meeting in the USSR, the number had risen to 50 by the end of Mulroney's 5-day visit, and these were ventures in such important spheres as metallurgy, oil production and refining, machine building, the

production of transport vehicles, medical equipment, and medicines, and the construction of hotels and residential buildings in the USSR.

The first joint Moscow-McDonald's company, which will have 20 restaurants in Moscow, has become a symbol of Soviet-Canadian commercial partnership. The firm opened its first fast-food restaurant on 31 January 1990 on Gorkiy Street in downtown Moscow. Last year Aeroflot and the Canadian Industrial Marine Products firm formed a joint venture called Aeroimp. It is already working on its first project—the renovation of a hotel complex in Moscow. Plans also call for the construction of a hangar in Minsk and a hotel in Tashkent.

There are also examples of Soviet-Canadian joint ventures in the production sphere. The Yamal marsh and snow cat with a capacity of 70 tons was developed and built jointly with the Canadian Foremost firm. It was tested successfully in Canada and the USSR. The Foremost-Progress joint venture was established to sell these vehicles and other equipment produced jointly by Soviet and Canadian enterprises. The welding work on the pipelines of Canada, the United States, and other countries will be performed with the use of the Soviet flash-butt welding technology by specialists from a joint Soviet-Canadian firm established by the Kiev Arc Welding Institute and the Canadian Majestic Contractors and Interprovincial Pipeline firms. The Soviet-Canadian Yugansk-Frackmaster enterprise is employing a progressive production method which increases the oil yield of a well fivefold. Another Soviet-Canadian enterprise, Tavriya-Magna, has begun manufacturing the molds for large passenger vehicle parts.

The Canadian-Soviet Business Council is expected to give the two countries' economic partnership new momentum. The document establishing it was signed on 22 November in Moscow during Mulroney's official visit. It has been joined by 129 Canadian firms and over 40 Soviet organizations and enterprises. The functions of the council will include the expansion of commercial cooperation and trade between the USSR and Canada, the development of legal contacts, the offer of assistance to business groups in both countries in the collection of commercial information, the organization of seminars and exhibitions, and the resolution of any new problems arising in the partnership. Chairman V.L. Malkevich of the Presidium of the USSR Chamber of Commerce and Industry and President A. Reichmann of the Canadian Olympia & York company were elected co-chairman of this non-governmental organization. The Canadian-Soviet Business Council is registered as a Canadian corporation with its headquarters in Toronto and an agency in Moscow. The two offices, with a combined staff of Soviet and Canadian personnel, will be opened at the end of the first quarter of 1990.

The USSR plans to open a consulate general in Toronto, the largest industrial and financial center in Canada, to promote bilateral trade and economic contacts.

The development of air traffic between the USSR and Canada is also related directly to the expansion of their commercial partnership. The organization of new flights between cities in the two countries would be of indisputable help in developing economic cooperation and broader cultural exchange. Canadian air lines have expressed an interest in resuming flights to the USSR. These questions were discussed when a delegation of Canadian parliamentarians visited Moscow last June. They discussed, for example, the possibility of Canadian Airlines International flights from Toronto to Moscow and flights by its planes to Bangkok, Hong Kong, and Beijing over Soviet territory. By the time of Mulroney's official visit, only one air line was handling the air traffic between the two countries: Aeroflot planes were flying from Moscow to Montreal and back twice a week. In 1988 these planes carried 18,000 passengers.

We should recall that regular flights between Moscow and Montreal began to be made by Aeroflot and Air Canada planes once a week in 1966. In 1977 Air Canada stopped its flights to Moscow, and since 1978 Aeroflot has made the flights between the two cities on a unilateral basis, paying the Canadian side a specific fee in line with the number of passengers. That same year Aeroflot was granted the right to land at Gander Airport for technical servicing during its flights to the countries of the Western Hemisphere. Six years later the Soviet air line was allowed to bring its own fuel to Gander for the refueling of its planes and to arrange for charter flights through this airport for the replacement of the crews of Soviet fishing boats being repaired in St. John's Harbor.

Steps are already being taken to develop air travel between the USSR and Canada. During Mulroney's visit, for example, notes were exchanged on the amendment of the route schedule in the 1966 agreement on air traffic between the USSR and Canada.

Soon after his visit to the USSR, the Canadian prime minister reported the results of his trip to the deputies of the Canadian Parliament. "I was pleased by Mikhail Gorbachev's determination to follow through on his planned reforms and by his confidence in his ability to do this," the prime minister said. The Soviet reforms need international support, Mulroney stressed. There is no viable alternative to the sweeping plans for reform in the USSR, and the West should support the changes taking place in the Soviet Union, he said. When he addressed the Canadian legislators, Mulroney advocated closer relations between the seven leading industrial nations and the USSR and also expressed his intention to propose that the "seven"—Canada, the United States, Japan, West Germany, Italy, Great Britain, and France—annually inform Gorbachev of the results of their summit-level economic conferences.

Therefore, Canadian Prime Minister B. Mulroney's trip to the Soviet Union in November and the talks in Moscow can be regarded as something like a new frontier in the relations between the two countries, revealing horizons of dynamic interaction geared to the future.

During Prime Minister Mulroney's official trip to Moscow in November 1989 and the Soviet-Canadian talks in Moscow, the following documents were signed: —a Soviet-Canadian political declaration; —agreements on cooperation in the Arctic and the North; on environmental cooperation; on the encouragement and mutual protection of capital investment; on cooperation in the study and use of outer space for peaceful purposes; on the prevention of incidents at sea outside territorial waters; on visits on the military level; on cooperation between the union republics of the USSR and the provinces of Canada; on cooperation in the peaceful use of atomic energy; on relations in the audiovisual sphere, and a protocol on joint audiovisual production; — memorandums of mutual understanding on cooperation in the prevention of pollution in the Arctic; on cooperation in the fight against drug abuse and the prevention of the illegal production and distribution of narcotics; on scientific cooperation in the study of maritime ecosystems; on joint programs in meteorology and in studies of the atmosphere and climate.

Footnotes

1. This project, which is scheduled to begin in 1990, envisages the study of the magnetosphere with the aid of four automatic orbiting platforms. Ultra-violet photographic equipment will be installed on one of them, which will be launched into orbit at an altitude of three times the earth's radius. This will make the observation of the entire Arctic zone possible and will provide information about the state of the magnetosphere at any time of day.

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CHRONICLE OF SOVIET-AMERICAN RELATIONS

October-December 1989

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[Text] October

2 —Member of the CPSU Central Committee Politburo and USSR Minister of Foreign Affairs E.A. Shevardnadze addressed the Foreign Policy Association in New York. In his speech he mentioned the problems inhibiting the development of Soviet-American relations: "...their total and complete permeation by ideology" and mutual "nuclear deterrence"; he also defined the front of the struggle for survival: nuclear disarmament, environmental protection, and economic cooperation by the USSR and the United States.

The Soviet-American talks on the cessation of nuclear tests were resumed in Geneva.

Former KGB and CIA personnel gathered for an unofficial meeting in Santa Monica (United States), organized by a Soviet-American society for the prevention of terrorism, and drew up around 30 recommendations for state and government agencies in the two countries with regard to the fight against terrorism and the coordination of the activities of intelligence agencies in the USSR and the United States.

2-7—The first visit to the United States by a Soviet defense minister in the history of Soviet-American relations took place. Army Gen D.T. Yazov was received by President G. Bush of the United States on 3 October.

4 —The Society for a Better World, an international humanitarian organization, awarded M.S. Gorbachev a special memorial bronze medal for his efforts to keep the peace and reduce armaments.

10—The latest, fifth session of the Special Verification Commission (SVC), established in accordance with the Soviet-American INF Treaty, began in Geneva.

11—American and Soviet generals presented reports and answered questions at the 35th annual session of the North Atlantic Assembly in Rome. The Soviet general, V.N. Lobov, declared the need to eliminate the Warsaw Pact and NATO military organizations.

Chairman of the USSR Council of Ministers N.I. Ryzhkov received Chairman A. Greenspan of the U.S. Federal Reserve System, who was in Moscow on an unofficial visit. They discussed aspects of Soviet-American economic cooperation.

13—Admiral C. Trost, U.S. naval chief of operations, who was in the USSR on an official visit, was received by D.T. Yazov.

Secretary of State J. Baker of the United States received delegates from the USSR Union of Journalists who were in the United States as the guests of the American National Newspaper Publishers Association.

17—James Baker addressed the Foreign Policy Association in New York and defined the success of Soviet perestroika as one of the national goals of American foreign policy.

Chairman of the USSR Council of Ministers N.I. Ryzhkov received U.S. Attorney General R. Thornburgh, who had come to the Soviet Union as the guest of the USSR Ministry of Justice to learn about the Soviet legal and judicial system and to establish contacts between judicial organs in the two countries. That same day Thornburgh was received by member of the CPSU Central Committee Politburo and Chairman of the USSR KGB V.A. Kryuchkov.

17-25—The first national trade fair for American companies, "USA-89: Opportunities for Business Cooperation," was held in Moscow. Chairman of the USSR Supreme Soviet M.S. Gorbachev and President

G. Bush sent greetings to the organizers and participants. M.S. Gorbachev and N.I. Ryzhkov attended the opening ceremonies.

19—M.S. Gorbachev sent a telegram to President G. Bush of the United States to express sincere sympathy in connection with the earthquake in San Francisco.

Delegations from 23 states representing the Warsaw Pact and NATO in Vienna completed the third round of talks on the reduction of armed forces and conventional arms in Europe. They agreed on the definition of artillery for the first draft of the future agreement. Delegations from the socialist countries submitted new proposals on stabilizing measures. An agreement was reached on the organization of a seminar for the discussion and comparison of Warsaw Pact and NATO military doctrines.

Writer Ch. Aytmatov was awarded the first prize for literature of the American Appeal to Conscience, an influential religious organization.

24—When E.A. Shevardnadze addressed the members of the USSR Supreme Soviet, he admitted that the existence of the Krasnoyarsk radar facility was a violation of the Soviet-American ABM Treaty and assured them that it would be dismantled.

25 October - 5 November—A USSR Supreme Soviet delegation headed by Chairman of the USSR Supreme Soviet Council of the Union and Candidate Member of the CPSU Central Committee Politburo Ye.M. Primakov was in the United States on an official visit as the guests of American congressional leaders. During a meeting in the White House Ye.M. Primakov delivered a personal message from Chairman M.S. Gorbachev of the USSR Supreme Soviet to President G. Bush of the United States.

27—The last of the 957 SS-23 shorter-range missiles slated for elimination in accordance with the INF Treaty was destroyed in Saryozek in the Kazakh SSR. The elimination of the last launcher for this type of missile was completed at the same time in Stankovo in the Belorussian SSR.

Therefore, one type of nuclear weapon has been completely eliminated in the USSR.

29 October - 4 November—The fifth meeting of representatives of the Soviet and American public, organized by the Chautauqua Institute, was held in Pittsburgh. Its participants received greetings from G. Bush and M.S. Gorbachev.

31—E.A. Shevardnadze held a press conference to announce a USSR-U.S. agreement on an unofficial meeting by M.S. Gorbachev and G. Bush on first an American ship and then on a Soviet ship in the Mediterranean.

The latest round of Soviet-American consultations on the prohibition of chemical weapons began in New York.

Member of the CPSU Central Committee Politburo A.N. Yakovlev received prominent American politician and former assistant to the U.S. president for national security affairs Z. Brzezinski.

November

2-11—A delegation from the Central Election Commission for Elections of People's Deputies of the USSR, headed by its chairman, V.P. Orlov, visited the United States.

9 —The fourth round of talks by 23 Warsaw Pact and NATO countries on conventional armed forces in Europe began in Vienna.

15—The UN General Assembly approved a resolution on the reinforcement of international peace and security and all aspects of international cooperation in accordance with the UN Charter, submitted jointly by the USSR and the United States. This was the first such initiative by the two countries in the United Nations.

17—Soviet Assistant Minister of Foreign Affairs and Special Representative for Near Eastern Affairs G.P. Tarasov had a meeting with Director D. Ross of the U.S. State Department Policy Planning Group and delivered a letter from E.A. Shevardnadze to J. Baker. During the subsequent conversation, the main topic of discussion was the state of affairs in the settlement of the Arab-Israeli conflict.

The 11th Session of the joint Soviet-American Commission on Trade came to an end. The commission defined new areas of bilateral cooperation, particularly with Soviet cooperatives, in consumer goods production.

18—E.A. Shevardnadze received U.S. Ambassador to the USSR J. Matlock at his request. During their conversation Matlock delivered the President's reply to M.S. Gorbachev's letter and the secretary of state's reply to E.A. Shevardnadze's letter. The message from George Bush concerned the situation in Central Europe in light of the developing process of democratization and the renewal of all facets of life in the GDR. Baker's message contained proposals on Central American regulation.

19—Soviet First Deputy Foreign Minister A.A. Bessmertnykh asked U.S. Ambassador J. Matlock to come to the USSR Ministry of Foreign Affairs and issued a statement to him on the resolution on Nagornyy Karabakh, which he described as a relapse into "cold war." The statement underscored the impermissibility of interference in the USSR's internal affairs.

The Senate of the U.S. Congress approved a compromise bill allocating 286 billion for Pentagon expenditures in fiscal year 1989. There were cuts in SDI spending, but allocations for the development of the strategic B-2 Stealth bomber were increased. The CBS television network reported the Pentagon's plans to reduce its budget by 180 billion dollars in the next 5 years.

21—On behalf of the U.S. Government and the American people, U.S. Ambassador J. Matlock thanked the

Soviet Government, Soviet organizations, and individual citizens for the many expressions of sympathy and offers of help they had extended to the victims of the earthquake in California.

22—The President of the United States addressed the nation on Thanksgiving Day. His speech contained a thorough analysis of the U.S. view of the processes occurring in Eastern Europe and the USSR. The President called for a "new partnership" between the United States and the USSR.

25 November - 5 December—A USSR Supreme Soviet delegation headed by Chairman F.M. Burlatskiy of the subcommittee on humanitarian, scientific, and cultural relations of the Committee on International Affairs visited the United States as the guests of Chairman D. DeConcini of the Commission on Security and Cooperation in Europe and Co-Chairman S. Hoyer of the same commission. They discussed a broad range of issues in Soviet-American relations, concentrating on human rights and the need to bring national legislation in line with the international commitments assumed in Helsinki.

December

2-3—General Secretary of the CPSU Central Committee and Chairman of the USSR Supreme Soviet Presidium M.S. Gorbachev and President of the United States G. Bush had an unofficial summit meeting on board the Soviet cruise ship "Maksim Gorkiy" off the coast of Malta. At a joint press conference—the first in history to be held jointly by U.S. and Soviet leaders—on 3 December, the sides expressed their satisfaction with the results of the talks.

In reference to the shipments of Soviet weapons to Central America, M.S. Gorbachev said that the USSR appreciates the importance of political settlement and has stopped the shipments.

George Bush expressed the opinion that his discussion of economic issues with M.S. Gorbachev had been one of the most productive parts of the meeting and reported a U.S. proposal to support observer status for the USSR in the GATT.

In reference to the conflict in Lebanon, Bush said that "we have no differences of opinion in this area."

In response to a question about the talks on chemical weapons, M.S. Gorbachev specifically said that the President had set forth some new and interesting proposals providing an opportunity for extremely rapid progress in this sphere.

M.S. Gorbachev responded to a question about strategic offensive arms: "By the latter half of June—and we have agreed on an official meeting at precisely that time—we will probably be able to do all of the necessary work and hammer out the basic provisions of the treaty."

As George Bush said, the United States and the USSR still have differences of opinion on naval forces.

Addressing the possibility of a second Helsinki meeting, M.S. Gorbachev stressed that the Helsinki process needs a "second wind," which would eventually convert NATO and the Warsaw Pact from military-political organizations into political instruments.

In reference to the situation in the Middle East, G. Bush said that "the Soviet Union is playing a constructive role in Lebanon and everywhere in the Middle East and is trying to support the trilateral agreement the United States also supports. This has not always been the case in history. It is possible that the United States did not always see how constructive a role the Soviet Union could play."

In response to a question about the rapid changes in Eastern Europe, M.S. Gorbachev pointed out the fact that they "were objectively ushered in by the historical process itself. No one could have eluded it." Bush added: "We had every opportunity to discuss this topic in much greater detail than I would feel comfortable doing here at this press conference."

Assessing the situation in GDR-FRG relations, the sides agreed that artificial acceleration would not be in the interests of the development of European states, including the two German states.

11—E.A. Shevardnadze received U.S. Ambassador to the USSR J. Matlock at his request. Matlock delivered a personal message from G. Bush to M.S. Gorbachev.

14—The latest round of Soviet-American consultations on the prohibition of chemical weapons ended in Geneva. The consultations will be resumed next year.

18—On behalf of the American people, George Bush wired a message of condolence to the widow of Academician A.D. Sakharov.

21—James Baker informed the Congress of the decision to demolish the U.S. Embassy building in Moscow and build a new one. The American special services insisted on this, asserting that the old building was supposedly "full of the latest listening devices."

22—A published Soviet Government statement condemned the massive invasion of the sovereign state of Panama (on 20 December 1989) as "an act of overt international tyranny."

24—TIME magazine chose M.S. Gorbachev as its man of the decade. In the opinion of the American magazine, the Soviet leader "is the force behind the most important events of the 1980's, and the things he has done are almost certain to affect the future."

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904K0006G Moscow SSHA: EKONOMIKA, POLITIKA, IDEOLOGIYA in Russian No 2, Feb 90 (signed to press 26 Jan 90) pp 1-2

Experience in Converting and Reconverting U.S. Military Production (V.Ye. Khrutskiy) pp 3-11

Small Business (A.S. Zaychenko) pp 22-30

East European Democratization and International Stability (Jack Snyder) pp 41-48

Preserving Peace in Europe: The Case for the Status Quo (Stephen Walt) pp 49-56

The USSR in the 1920's: Problems and Ideas (M.A. Vernichenko) pp 64-69

The Bush Administration and Congress: First Results (D.Ya. Bratslavskiy) pp 70-76

About Canada and a Few Words About Us (Conclusion) (L.A. Bagramov) pp 77-85

Letters to Editor p 86

Political Culture and Leadership in Soviet Russia. From Lenin to Gorbachev (Continuation) (Robert C. Tucker) pp 96

American Auto Design (V.I. Puzanov) pp 97-107

Beta-Carotene Against Cancer (T.B. Kurzanova) pp 108-109

Try To Look on the Bright Side (I.G. Samashova) .. p 109

Review of "The Middle East. Ten Years After Camp David," edited by William B. Quandt (A.V. Frolov) pp 110-111

Review of "Innovation and the Arms Race. How the United States and the Soviet Union Develop New Military Technologies" by Matthew Evangelista (A.V. Kaffka) pp 111-114

Review of "Environmental Hazards. Communicating Risks as a Social Process" by S. Krinski and A. Plough (V.I. Sokolov) ... pp 114-116

West South Central States (L.V. Smirnyagin) . pp 117-119

St. Valentine's Day and Other Holidays (V.A. Ivanova) pp 120-123

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